



भारत हेवी इलेक्ट्रिकल्स लिमिटेड

Bharat Heavy Electricals Limited

01st July 2021

DISCLOSURE ON CREDIT RATING TO STOCK EXCHANGE BY BHEL

M/s India Ratings & Research has revised the rating on the long term bank facilities of the Company (vide communication dated 01st July 2021) from 'IND AA' to 'IND AA-' and reaffirmed the outlook to 'Negative'. The rating on the short term facilities have been reaffirmed at 'IND A1+'. The instrument wise ratings are as under:

Bank Facilities	Rating Action	Primary reason mentioned by the Rating Agency
Long-Term Rating	IND AA-/ Negative (Rating downgraded from 'IND AA' to 'IND AA-'; Outlook reaffirmed to 'Negative')	<p>The downgrade reflects BHEL's continued weaker-than-Ind-Ra-expected operating performance in FY21 due to COVID-19 led delays in the execution of orders, coupled with weak ordering environment in the power sector, which is likely to linger through the 1HFY22. The company's order inflow reduced to multi-year low of INR135 billion during FY21 after remaining close to INR250 billion over FY19-FY20.</p> <p>The Negative Outlook factors in Ind-Ra's expectation of a further deterioration in BHEL's FY22 performance owing to:</p> <ul style="list-style-type: none">i) subdued order inflow on account of excess capacity in the sectorii) persistently long working capital cycleiii) limited diversification progress, andiv) the likelihood of a further deterioration in its balance sheet strength. <p>BHEL has been working on various cost-cutting and quality-improving measures, along with focussing on cash collections. However, the envisaged diversification initiatives are still under progress and are yet to deliver meaningful results; the industrial segment's average margins remain lower than that of the power segment. However, BHEL's market position in the power segment remains strong with its large order book and strong financial position.</p>
Short-Term Rating	IND A1+(Reaffirmed)	